

Measuring For Success: How CEOs View Learning Investments

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After attending this session, participants should be able to:

- Identify the **8** categories of data that should be sent to every CEO
- Describe the executive view of the success of L&D
- Adjust the measurement mix for reporting data to the top executives
- Describe three ways to achieve business alignment

The Current Economic Climate

- Global recession for 2 years
- Layoffs/hiring freezes
- Budget cuts
- Outsourcing
- Mergers/consolidations

We must show the value of L&D!

The “New” Definition of Value

Value Must:

- Be balanced, with qualitative and quantitative data
- Contain financial and non-financial perspectives
- Reflect strategic and tactical issues
- Satisfy all key stakeholders
- Be consistent in collection and analysis
- Be grounded in conservative standards
- Come from credible sources

Can you add to the list?

The "Show Me" Evolution

Term

Issue

Show Me!

Collect Impact Data

Show Me the Money!

And Convert Data to Money

**Show Me the Real
Money!**

**And Isolate the Effects of the
Project**

**Show Me the Real Money,
And Make me Believe it!**

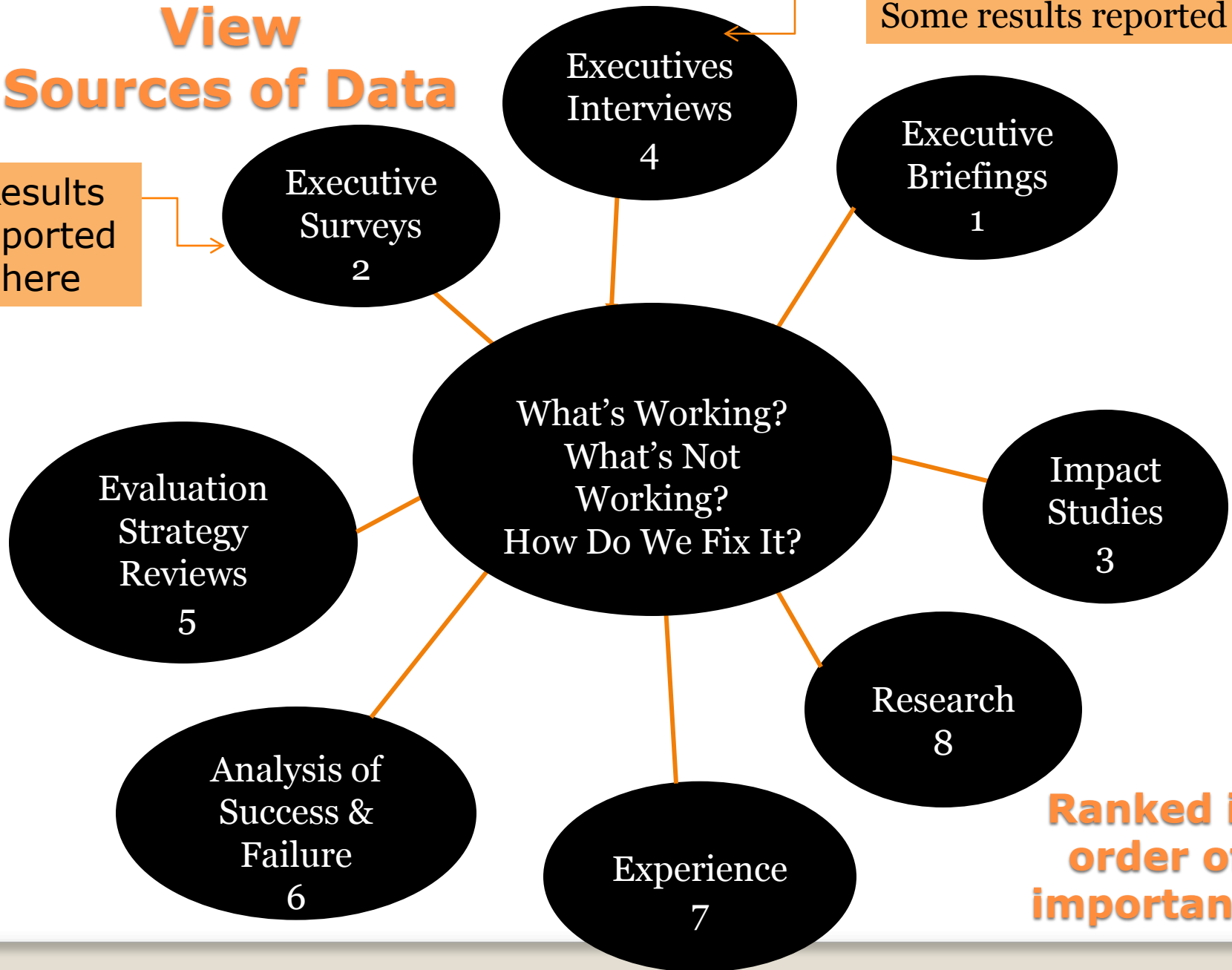
**And Compare the Money
to the Cost of the Project**

The Executive View

Sources of Data

Results reported here

Some results reported here



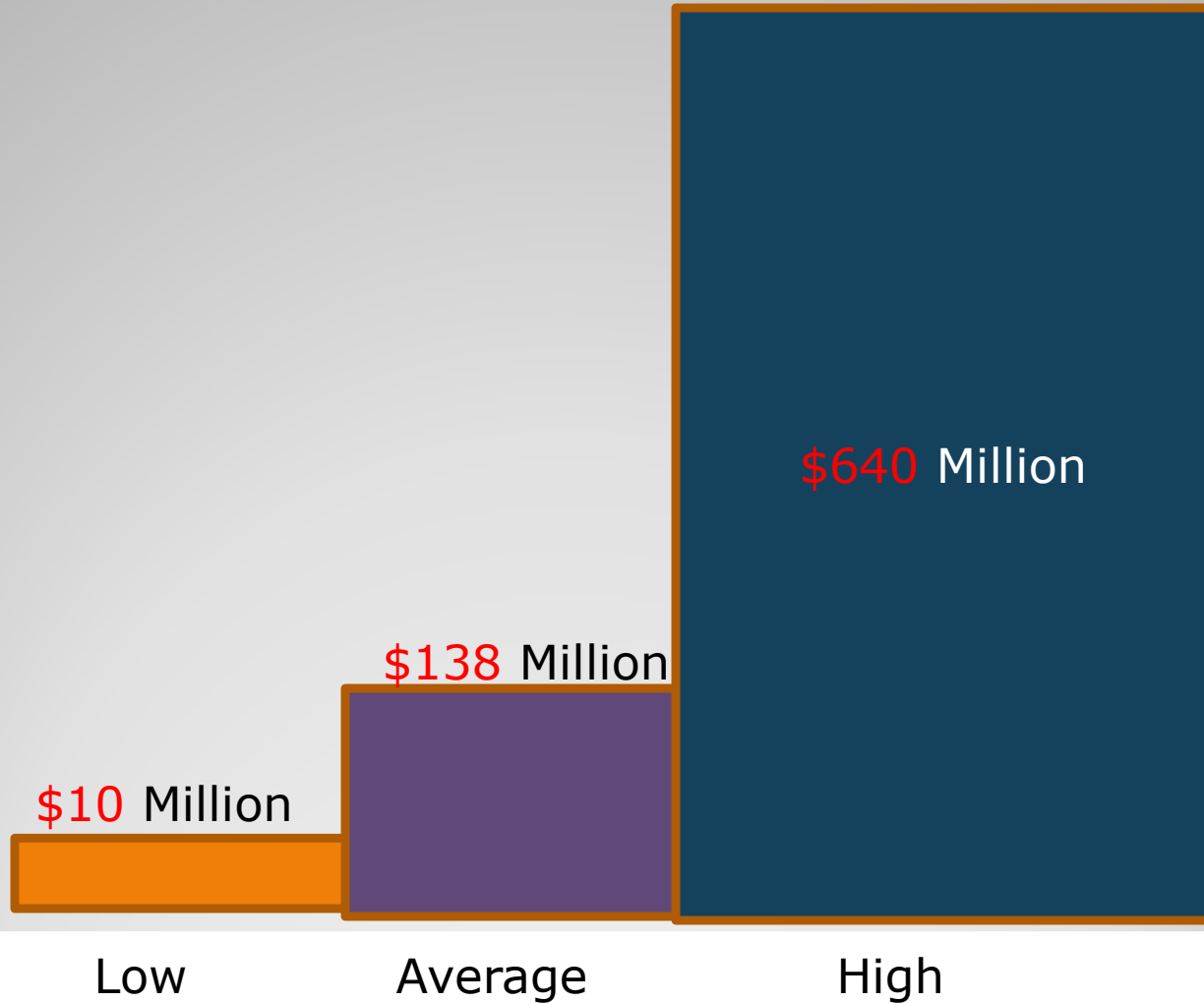
Ranked in order of importance

CEO Survey

Fortune 500 and Top Private Organizations

- Surveys administered between November 2008 & February 2009
- Completed directly by CEO
- **10** actions taken to increase response rate
- **96** returned
- **21%** response rate

Investment Range



How Do We Set the Investment Level?

Investment Strategies

- 4%** Avoid the investment, if possible
- 20%** Invest only the minimum
- 39%** Invest based on benchmarking studies
- 10%** Invest heavily in learning and development (over invest?)
- 18%** Invest when there is a payoff
- 9%** Don't know/Did not respond

Is the CLO Close to the CEO? Reporting Relationship

Number of Levels between CEO and CLO

3.2 Average (1-6 Range)

The CEO is over 3 levels up

Satisfaction with Measures of Success of Learning and Development

To what extent are you satisfied with the measures (value) of learning and development?

8%—Very Dissatisfied (1)

45%—Dissatisfied (2)

41%—Satisfied (3)

6%—Very Satisfied (4)

The Executive View of Metrics*

Measure	We currently measure this	We should measure this in the future	My ranking of the importance of this measure
1. Inputs: "Last year, 78,000 employees received formal learning."	94%		
2. Efficiency: "Formal learning costs \$2.15 per hour of learning consumed."	78%		
3. Reaction: "Employees rated our training very high, averaging 4.2 out of 5."	53%		
4. Learning: "92% of participants increased knowledge and skills"	32%		

*CEO Survey—Fortune 500 and Large Private Companies, ROI Institute
N=96 Respondents

The Executive View of Metrics*

Measure	We currently measure this	We should measure this in the future	My ranking of the importance of this measure
1. Inputs: "Last year, 78,000 employees received formal learning."	94%	85%	6
2. Efficiency: "Formal learning costs \$2.15 per hour of learning consumed."	78%	82%	7
3. Reaction: "Employees rated our training very high, averaging 4.2 out of 5."	53%	22%	8
4. Learning: "92% of participants increased knowledge and skills"	32%	28%	5

*CEO Survey—Fortune 500 and Large Private Companies, ROI Institute
N=96 Respondents

The Executive View of Metrics*

Measure	We currently measure this	We should measure this in the future	My ranking of the importance of this measure
5. Application: "At least 78% of employees are using the skills on the job"	11%		
6. Impact: "Our programs are driving our top 5 business measures in the organization."	8%		
7. ROI: "Five ROI studies were conducted on major programs yielding an average of 68% ROI."	4%		
8. Awards: "Our learning and development program won an award from American Society for Training and Development"	40%		

*CEO Survey—Fortune 500 and Large Private Companies, ROI Institute
N=96 Respondents

The Executive View of Metrics*

Measure	We currently measure this	We should measure this in the future	My ranking of the importance of this measure
5. Application: "At least 78% of employees are using the skills on the job"	11%	61%	4
6. Impact: "Our programs are driving our top 5 business measures in the organization."	8%	96%	1
7. ROI: "Five ROI studies were conducted on major programs yielding an average of 68% ROI."	4%	74%	2
8. Awards: "Our learning and development program won an award from American Society for Training and Development"	40%	44%	3

*CEO Survey—Fortune 500 and Large Private Companies, ROI Institute
N=96 Respondents

Why the Interest in ROI? Capital Investments

- Buildings
- Equipment
- Tools
- Vehicles
- Companies
- Some Technology



About 15% of expenditures

ROI is the Evaluation

Why the Interest in ROI? Non Capital Investments

- Marketing
- Human Resources
- Quality
- Some Technology
- Staff Support
- Processes



About 85% of expenditures

ROI is now used here

The Evolution of the CFO

- The CFO is the most critical job
- More CIOs reporting to CFO
- More CHROs reporting to CFO
- CEOs turning to CFO to measure success of other functions

ROI for non capital investments is rapidly growing

CEO Concerns About Current Functional Measures

- Inconsistent from one project to another
- Not connected to the business
- Too many activity measurements
- Not credible
- Claiming too much credit
- Not conservative

Status of Measurement

Level	Measurement Category	Current Status*	Goal in 5 Years*	Comments About Status
0	Inputs/Indicators Measures inputs including number of programs, attendees, audience, costs, and efficiencies	100%	100%	This is being accomplished now
1	Reaction and Perceived Value Measure reaction to, and satisfaction with, the experience, ambiance, content, and value of program	100%	100%	Need more focus on content and perceived value

***Percentage of programs evaluated at this level
Please add your numbers**

Status of Measurement

Level	Measurement Category	Current Status*	Goal in 5 Years*	Comments About Status
2	Learning Measures what participants learned– information, knowledge, skills, and contacts (takeaways from the program)	30-40%	80-90%	Must use simple learning measures
3	Application and Implementation Measures progress after the program– the use of information, knowledge, skills, and contacts	10%	30%	Need more simple follow-up

***Percentage of programs evaluated at this level
Please add your numbers**

Status of Measurement

Level	Measurement Category	Current Status*	Goal in 5 Years*	Comments About Status
4	Impact Measures changes in business impact variables such as output, quality, time, and cost-linked to the program	5%	10%	This is the connection to impact-must isolate the effects of the program
5	ROI Compares the monetary benefits of the business impact measures to the costs of the program	1%	5%	The ultimate level of evaluation

***Percentage of programs evaluated at this level
Please add your numbers**

CEO Involvement

In what ways are you personally involved in learning and development?

- 29%** Introduce/close out major programs
- 18%** Actually teach segments of major programs
- 73%** Review requests for major programs
- 61%** Review results for major programs
- 24%** Use the learning and development scorecard to monitor progress and make adjustments
- 22%** Conduct/host periodic review meetings to examine the success of L & D
- 78%** Personally approve the learning and development budget with input from others
- 18%** Other: _____

Learning Scorecard

Do you have a learning scorecard for top executives?

Executives Survey Results:

22% Yes

Learning Scorecard for Executives

Short Version

▶ **0 Inputs/Indicators**

1. Number of Programs
2. Hours Per Employee
3. Cost Per Employee

▶ **1 Reaction**

1. Perceived Value (Index)
2. Business Impact Linkage

▶ **2 Learning**

1. Percent of Programs Evaluated at this Level
2. Learning (Index)

and...

Learning Scorecard for Executives

Short Version

▶ 3 Application

1. Percent of Programs Evaluated at this Level
2. Application Index
3. Top Barriers to Learning Transfer

▶ 4 Business Impact

1. Percent of Programs Evaluated at This Level
2. Business Impact Linkage

▶ 5 ROI

1. Percent of Programs Evaluated at This Level

and...

Learning Scorecard for Executives

Short Version

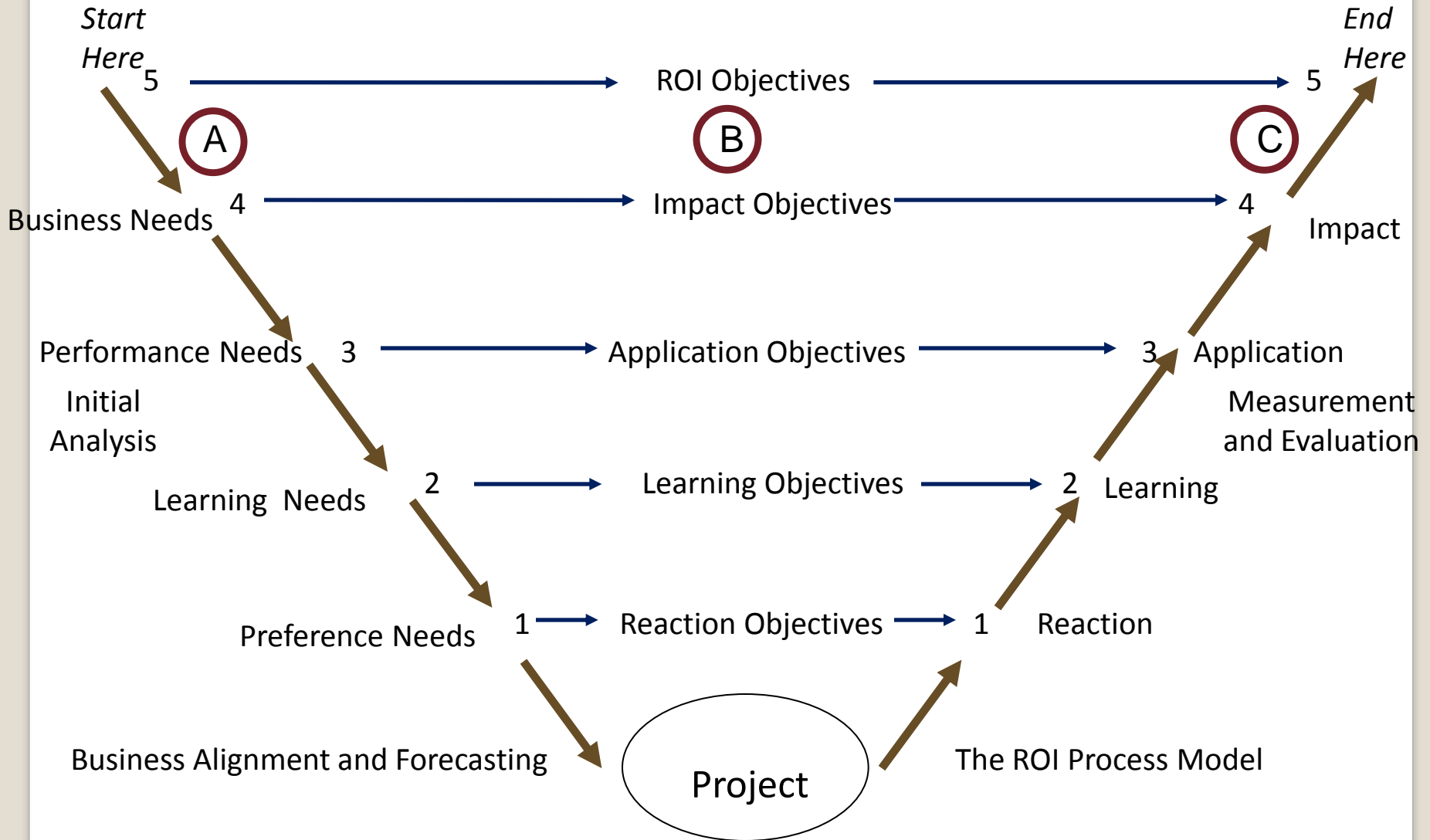
- **Intangibles**

1. Top Intangibles

- **Awards**

1. Industry and Professional Awards

Business Alignment Model



The ROI Methodology

Evaluation Planning

Data Collection

Develop Objectives of Solution

Develop Evaluation Plans and Baseline Data

Collect Data During Solution Implementation

Collect Data After Solution Implementation

Level 1: Reaction, Satisfaction, and Planned Actions

Level 3: Application/Implementation

Level 2: Learning

Level 4: Business Impact

The ROI Methodology

Data Analysis

Capture Costs
of Solution

Reporting

Isolate the
Effects

Convert Data
to Monetary
Value

Calculate the
Return on
Investment

Generate
Impact
Study

Level 5:
ROI

Identify
Intangible
Measures

Intangible Measures

CLO Challenges

- Revisit the strategy for setting the investment level
- Focus on business alignment
- Report data on business contribution
- Create a scorecard that reflects value
- Increase executive involvement in learning and development
- Build partnerships with key executives